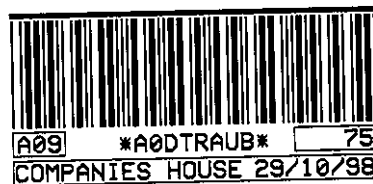

AGRESERVES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1997



AGRESERVES LIMITED

Company Information

Directors J. W. Creer
K. F. Keeler
T. G. Rueckert
C. R. Jolliffe
A. K. Broadway

Secretary T. Rueckert
A. K. Broadway

Company Number 2947030

Registered Office Manor Farm
Wood Walton
Huntingdon
Cambs
PE17 5YU

Auditors Martin & Acock
2, The Close
Norwich
Norfolk
NR1 4DJ

AGRESERVES LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report and the financial statements for the year ended 31 December 1997.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year after taxation, amounted to £(39,227) (1996 - profit £265,195) .

Principal activities and review of business

The company's principal activity continues to be that of arable and dairy farming.

The company continued to operate a policy of generating the highest profit feasible from efficient farming techniques that utilise the latest technology whilst ensuring the appearance and upkeep of the farm land and buildings are maintained to a high standard.

Good crop yields were achieved this year but, with the decline in cereal prices and especially for crops not sold on forward contracts, the company's results are significantly down on the 1996 harvest. Both the reduction of MAFF area aid payments and the strength of sterling contributed to the reduction in farming income.

The directors are committed to maintaining the positive trends in crop performance, whilst striving to improve the economic rewards gained from the continued operating success, and are confident that previous levels of profitability can again be attained.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were :

	<u>Ordinary shares of £1 each</u>	
	<u>1997</u>	<u>1996</u>
J. W. Creer	-	-
K. F. Keeler	-	-
T. G. Rueckert	-	-
C. R. Jolliffe	-	-
A. K. Broadway	-	-

K. F. Keeler and A. K. Broadway retire from the board at the annual general meeting and, being eligible, offer themselves for re-election.

Political and charitable contributions

The company made charitable donations of £334,024 (1996: £371,393) during the year.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

Events since the end of the year

Since the year end, the company has purchased a second subsidiary, Farmspeed (Southery Anchor) Limited. This company operates an arable farm of approximately 1,800 hectares in Norfolk.

Auditors

The auditors, Martin & Acock, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 25 September 1998 and signed on its behalf.



C. R. Jolliffe
Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF AGRESERVES LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Martin and Acock

Martin & Acock

**Chartered Accountants
Registered Auditor**

2, The Close
Norwich
Norfolk
NR1 4DJ

25 September 1998

AGRESERVES LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1997

	Note	1997 £	1996 £
TURNOVER	1,2	1,882,253	1,915,500
Cost of sales		(1,194,615)	(738,908)
GROSS PROFIT		687,638	1,176,592
Selling and distribution costs		(362,269)	(380,669)
Administrative expenses		(101,775)	(142,523)
Other operating income		81,017	51,266
OPERATING PROFIT	3	304,611	704,666
Profit on disposal of tangible fixed assets		8,057	15,186
		312,668	719,852
Income from other investments		455	-
Amounts written off investments		-	(47,227)
Profit on disposal of investments		-	26,325
Interest receivable	6	36,199	11,569
Interest payable		(208)	-
Charitable payment		(334,024)	(371,393)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,090	339,126
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	(54,317)	(73,931)
(LOSS)/RETAINED PROFIT FOR THE YEAR		(39,227)	265,195
RETAINED PROFIT/(LOSS) BROUGHT FORWARD		4,761	(260,434)
(LOSS)/RETAINED PROFIT CARRIED FORWARD		£ (34,466)	£ 4,761

All amounts relate to continuing operations.

There were no recognised gains and losses for 1997 or 1996 other than those included in the profit and loss account.

The notes on pages 8 to 15 form part of these financial statements.

AGRESERVES LIMITED

BALANCE SHEET
As at 31 December 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Intangible fixed assets	8		320,514		320,514
Tangible fixed assets	9		818,634		832,248
Investments	10		3,525,453		3,525,453
			<u>4,664,601</u>		<u>4,678,215</u>
CURRENT ASSETS					
Stocks	11	1,441,195		1,486,701	
Debtors	12	416,605		210,470	
Cash at bank and in hand		881,280		482,127	
		<u>2,739,080</u>		<u>2,179,298</u>	
CREDITORS: amounts falling due within one year	13	(1,016,550)		(1,135,381)	
NET CURRENT ASSETS			<u>1,722,530</u>		<u>1,043,917</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,387,131</u>		<u>5,722,132</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14		(71,597)		(17,371)
NET ASSETS			<u>£ 6,315,534</u>		<u>£ 5,704,761</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,000,000		1,000,000
Capital reserve	16		5,350,000		4,700,000
Profit and loss account			(34,466)		4,761
SHAREHOLDERS' FUNDS - All equity	17		<u>£ 6,315,534</u>		<u>£ 5,704,761</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

The financial statements were approved by the board on 25 September 1998 and signed on its behalf

C. R. Jolliffe

Director

The notes on pages 8 to 15 form part of these financial statements.

AGRESERVES LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 1997

	Note	£	1997 £	£	1996 £
Net cash (outflow)/inflow from operating activities (Page 7)			(35,365)		840,949
Returns on investments and servicing of finance	18		36,446		11,569
Taxation			(56,651)		-
Capital expenditure and financial investment	18		(162,610)		(522,074)
Cash (outflow)/inflow before use of liquid resources and financing			<u>(218,180)</u>		<u>330,444</u>
Financing:	18				
Capital transferred from parent undertaking		650,000		-	
Decrease in debt		(32,667)		(32,666)	
			<u>617,333</u>		<u>(32,666)</u>
Increase in cash in the period			<u><u>£ 399,153</u></u>		<u><u>£ 297,778</u></u>

The notes on pages 8 to 15 form part of these financial statements.

AGRESERVES LIMITED

CASH FLOW STATEMENT INFORMATION
For the year ended 31 December 1997

	Note	£	1997	£	1996	£
RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES						
Operating profit			304,611		704,666	
Depreciation of tangible fixed assets			184,281		170,414	
(Increase)/decrease in debtors			(206,135)		972,087	
Decrease/(increase) in stocks			45,506		(527,258)	
(Decrease)/increase in creditors			(29,604)		207,149	
Issue of free shares			-		(5,176)	
Donations			(334,024)		(371,393)	
Net cash (outflow)/inflow from operating activities		£	(35,365)		£	1,150,489
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS						
	19					
Increase in cash in the period		399,153		297,778		
Cash outflow from decrease in debt and lease financing		32,667		32,666		
Change in net funds resulting from cash flows			431,820		330,444	
Net funds at 1 January 1997			449,460		119,016	
Net funds at 31 December 1997		£	881,280		£	449,460

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Farm building improvements and drainage	straight line over 5 to 20 years
Plant & machinery	straight line over 5 to 10 years
Motor vehicles	straight line over 3 to 10 years
Fixtures, fittings, tools and equipment	straight line over 5 years

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.8 Pensions

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit which may arise from time to time is amortised over the average working life of employees.

1.9 Intangible fixed assets

Milk Quota is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

1.10 Area aid income

Area aid income is recognised in the profit and loss account when the underlying crops are sold.
Set aside income is recognised on a receipts basis.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being arable and dairy farming.

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging:

	1997 £	1996 £
Depreciation of tangible fixed assets		
- owned by the company	184,281	160,614
- held under finance leases	-	9,800
Audit fees	8,250	8,000
Auditors' remuneration - non-audit services	9,400	-
Operating lease rentals		
- hire of plant & machinery	24,543	39,130
- other	262,008	255,917
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	1997 £	1996 £
Wages and salaries	359,844	378,636
Social security costs	28,920	24,207
Other pension costs	24,802	18,075
	<u> </u>	<u> </u>
	£ 413,566	£ 420,918
	<u> </u>	<u> </u>

The average monthly number of employees, including directors, during the year was as follows:

	1997	1996
Farming	11	13
Office and management	7	5
	<u> </u>	<u> </u>
	18	18
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION

	1997 £	1996 £
Aggregate emoluments	51,302	52,606
Company pension contributions to money purchase schemes	4,929	3,319
	<u> </u>	<u> </u>
	£ 56,231	£ 55,925
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

6. INTEREST RECEIVABLE

	1997 £	1996 £
Other interest receivable	£ 35,991	£ 11,569

7. TAXATION

	1997 £	1996 £
Current year taxation		
UK Corporation Tax at 33%	-	56,560
Transfer to deferred taxation	54,226	17,371
Tax on franked investment income	91	-
	£ 54,317	£ 73,931

8. INTANGIBLE ASSETS

	Milk Quota £	Total £
Cost		
At 1 January 1997	320,514	320,514
At 31 December 1997	320,514	320,514
Net Book Value		
At 31 December 1997	£ 320,514	£ 320,514
At 31 December 1996	£ 320,514	£ 320,514

9. TANGIBLE ASSETS

	Buildings and Improvements £	Plant and Machinery £	Motor Vehicles £	Total £
Cost				
At 1 January 1997	44,713	948,744	124,141	1,117,598
Additions	-	225,666	10,883	236,549
Disposals	-	(88,305)	(18,469)	(106,774)
At 31 December 1997	44,713	1,086,105	116,555	1,247,373
Depreciation				
At 1 January 1997	7,770	245,229	32,351	285,350
Charge for year	5,209	147,699	31,373	184,281
On disposals	-	(35,507)	(5,385)	(40,892)
At 31 December 1997	12,979	357,421	58,339	428,739
Net Book Value				
At 31 December 1997	£ 31,734	£ 728,684	£ 58,216	£ 818,634
At 31 December 1996	£ 36,943	£ 703,515	£ 91,790	£ 832,248

AGRESERVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

10. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Loans to group undertakings £	Other investments £	Total £
Cost				
At 1 January 1997	3,520,277	-	5,176	3,525,453
At 31 December 1997	<u>3,520,277</u>	<u>-</u>	<u>5,176</u>	<u>3,525,453</u>
Net Book Value				
At 31 December 1997	£ 3,520,277	£ -	£ 5,176	£ 3,525,453
At 31 December 1996	<u>£ 3,520,277</u>	<u>£ -</u>	<u>£ 5,176</u>	<u>£ 3,525,453</u>

Investments include an investment in a subsidiary, Hallsworth (Farmland Trust) Limited, comprising a holding of 100% of its issued ordinary capital.

During its latest financial year Hallsworth (Farmland Trust) Limited made a loss of £8,384 (1996 - £15,265) and at the end of that year the aggregate of its capital and reserves was £2,920,361 (1996 - £2,928,745).

The market value of listed investments, which are included above at cost of £5,176, as at 31 December 1997 was £10,044 (1996: £6,563).

The market value of unlisted investments, which are included above at cost of £NIL, as at 31 December 1997 was £1,594 (1996: £NIL).

11. STOCKS

	1997 £	1996 £
Livestock	130,505	137,675
Crops in store	824,651	722,935
Cultivations	331,710	457,192
Consumables	154,329	168,899
	<u>£ 1,441,195</u>	<u>£ 1,486,701</u>

12. DEBTORS

	1997 £	1996 £
Due within one year		
Trade debtors	165,894	122,695
Other debtors	246,019	73,972
Prepayments and accrued income	4,692	13,803
	<u>£ 416,605</u>	<u>£ 210,470</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

13. CREDITORS:

Amounts falling due within one year

	1997 £	1996 £
Net obligations under finance lease and hire purchase contracts	-	32,667
Trade creditors	1,430	34,397
Corporation tax	-	56,560
Other creditors	715,732	712,005
Accruals and deferred income	299,388	299,752
	<u>£ 1,016,550</u>	<u>£ 1,135,381</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	1996 £
<i>Deferred Tax</i>		
At 1 January 1997	17,371	-
Charge for the year	54,226	17,371
	<u>£ 71,597</u>	<u>£ 17,371</u>
At 31 December 1997		

15. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
2,000,000 ordinary shares of £1 each	<u>£ 2,000,000</u>	<u>£ 2,000,000</u>
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	<u>£ 1,000,000</u>	<u>£ 1,000,000</u>

16. RESERVES

	£
Capital reserve	
At 1 January 1997	4,700,000
Capital transferred from parent undertaking	650,000
	<u>£ 5,350,000</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

17. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	1997 £	1996 £
(Loss)/Profit for the year	(39,227)	265,195
Capital transferred from parent undertaking	650,000	-
	<u>610,773</u>	<u>265,195</u>
Opening shareholders' funds	5,704,761	5,439,566
	<u>£ 6,315,534</u>	<u>£ 5,704,761</u>

18. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	36,199	11,569
Interest paid	(208)	-
Income received from investments	455	-
	<u>£ 36,446</u>	<u>£ 11,569</u>
Net cash inflow for returns on investments and servicing of finance		
	<u>£ 36,446</u>	<u>£ 11,569</u>
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(51,412)
Purchase of tangible fixed assets	(236,549)	(272,847)
Sale of intangible fixed assets	-	52,650
Sale of tangible fixed assets	73,939	59,075
Purchase of fixed asset investments	-	(309,540)
	<u>£ (162,610)</u>	<u>£ (522,074)</u>
Net cash outflow for capital expenditure		
	<u>£ (162,610)</u>	<u>£ (522,074)</u>

18. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT (Continued)

Financing

Capital element of hire purchase payments	(32,667)	(32,666)
	<u>(32,667)</u>	<u>(32,666)</u>
Decrease in debt		
	<u>(32,667)</u>	<u>(32,666)</u>
Net cash outflow from financing	<u>£ (32,667)</u>	<u>£ (32,666)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

19. ANALYSIS OF NET FUNDS

	At 1 Jan 1997 £	Cash flow £	Other changes £	At 31 Dec 1997 £
Net cash:				
Cash at bank and in hand	482,127	399,153		881,280
Funds:				
Hire purchase	(32,667)	(32,667)	-	-
Net funds	£ 449,460	£ 366,486	£ -	£ 881,280

20. OTHER COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1997 £	1996 £	Other 1997 £	1996 £
Expiry date:				
In more than 5 years	264,800	258,757	-	-

21. PENSION COMMITMENTS

The company is part of a group scheme operating a pension plan based on final pensionable earnings. The assets of the Plan are held in a separate trustee administered fund. Contributions charged to the revenue account are calculated so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary using the projected unit method.

The latest actuarial valuation of the Plan was as at 31 December 1995. The assumptions having the most significant effect on the valuation results were that investment returns would be 9% and that pensionable earnings increases would average 7.5 % p.a. (pensionable earnings are currently increasing at 4.8% p.a.). The valuation showed that the market value of the Plan's assets was £6,581,000 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in pensionable earnings.

The pension charged for the period was £24,802, which included allowance for the amortisation of experience surpluses. These are being recognised over 12 years, the average remaining service lives of employees.

22. RELATED PARTIES

During the normal courses of business, the company carried out arms length transactions various related parties as follows:

a) The Church of Jesus Christ of Latter-Day Saints (Welfare) Limited which, under the name of England Farm Properties, is the company's landlord;

Charitable covenant	£ (334,024)
Rent payable	£ (259,525)
Management fees payable	£ (7,310)
Management fees receivable	£ 18,000
Balance as at 31 December 1997	£ 109,421

b) Farm Management Company, the Church's agricultural division in the United States which acts in an advisory capacity;

Management fees payable	£ (35,404)
Balance as at 31 December 1997	£ (28,706)

c) Hallsworth (Farmland Trust) Limited, a 100% subsidiary of the company;

Management fees receivable	£ 79,940
Balance as at 31 December 1997	£ (344,509)

AGRESERVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 1997

23. POST BALANCE SHEET EVENTS

Since the year end, the company has purchased a second subsidiary, Farmspeed (Southery Anchor) Limited. This company operates an arable farm of approximately 1,800 hectares in Norfolk.

24. PARENT COMPANY

The company's ultimate joint parent undertakings are the Corporation of the President of the Church of Jesus Christ of the Latter-Day Saints and the Corporation of the Presiding Bishopric, both corporations being incorporated in the State of Utah.